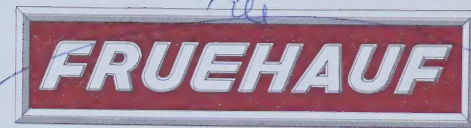


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FRUEHAUF



INTERIM REPORT

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED
P.O. BOX 1720 MISSISSAUGA (DIXIE) ONTARIO

SIX MONTHS ENDED
JUNE 30, 1978

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED

INTERIM SIX MONTH REPORT

TO OUR SHAREHOLDERS:

For the periods ended June 30, 1978, sales achieved record levels while second quarter earnings reached a record high, in this our 50th Anniversary Year. Sales for the period were up 21% over the similar period of the prior year. Earnings for the six months ended June 30, 1978, were 80 cents per share, an increase of 33% from the 60 cents earned in the first half of 1977.

Both the first half and the second quarter periods achieve a record sales dollar level. Sales for the half year at \$34,996,000 compare to \$29,000,000 in the first six months of 1977. Sales for the second quarter period of \$21,097,000 are an increase of 40% over the \$15,124,000 in the second quarter of 1977. At the same time second quarter sales are up 52% from first quarter volume in the current year.

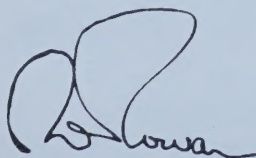
Net earnings for the half year are the second highest earnings for a first six months period, while earnings for the quarter attained an all time dollar record for any second quarter period. Net earnings after taxes on income of \$2,161,000 in the current six months compare to \$1,615,000 earned in the same period of the preceding year. Second quarter earnings of \$1,419,000 representing 52 cents per share compare to \$852,000 or 32 cents per share in the same quarter of 1977. The current quarter 52 cents per share almost doubles the 27 cents per share realized in the first quarter of this year.

The significant earnings improvement in the second quarter is directly attributable to the substantially increased sales volume attained. As a result we were able to operate the main production facility above normal capacity throughout the entire quarter. We therefore realized the reduced overhead costs commensurate with such production levels.

While the third quarter normally reflects a seasonal decline through the summer months as a result of vacation shutdown, we do expect to operate at a continuing high rate of production. Current indications, supported by the level of order backlog, would indicate a strong second half.

To provide for anticipated future growth potential, both with the Company and the Canadian economy, we have acquired options on property sites for an additional manufacturing facility. We expect to finalize the location purchase during the coming third quarter. It is our intention then to proceed with development of plans for the new construction without delay.

On Behalf of the Board



R.D. Rowan - President



D.A. Grinstead - Vice President

STATEMENT OF NET EARNINGS (CONDENSED)

REVENUES

Sales
Finance and Other Interest

Six Months Ended June 30

1978	1977
\$34,996,000	\$29,000,000
1,186,000	1,170,000
<u>\$36,182,000</u>	<u>\$30,170,000</u>

EARNINGS BEFORE TAXES ON INCOME

Taxes on Income

\$ 3,929,000	\$ 2,936,000
1,768,000	1,321,000

NET EARNINGS

Net Earnings per Share

<u>\$ 2,161,000</u>	<u>\$ 1,615,000</u>
\$.80	\$.60

STATEMENT OF WORKING CAPITAL

SOURCES OF WORKING CAPITAL

OPERATIONS

Net earnings for the period
Depreciation of equipment leased to customers
Depreciation of plant and equipment

1978	1977
\$ 2,161,000	\$ 1,615,000
181,000	264,000
332,000	301,000
<u>\$ 2,674,000</u>	<u>\$ 2,180,000</u>

OTHER

Retirement of equipment leased to customers
Decrease in Miscellaneous Assets
Disposal of property, plant and equipment at net book value

\$ 337,000	\$ 24,000
—	7,000
11,000	8,000
<u>\$ 3,022,000</u>	<u>\$ 2,219,000</u>

APPLICATION OF WORKING CAPITAL

Cash Dividend
Additions to equipment leased to customers
Additions to property, plant and equipment

\$ 609,000	\$ 541,000
538,000	15,000
225,000	214,000
<u>\$ 1,372,000</u>	<u>\$ 770,000</u>

NET INCREASE IN WORKING CAPITAL

WORKING CAPITAL AT BEGINNING OF PERIOD

WORKING CAPITAL AT END OF PERIOD

\$ 1,650,000	\$ 1,449,000
<u>34,725,000</u>	<u>31,108,000</u>
<u>\$36,375,000</u>	<u>\$32,557,000</u>

Interim reports are not examined by our Aditors